



Minutes Council Transportation Committee May 4, 2010

Minutes of the meeting of the City Council's Transportation Committee held on Tuesday, May 4, 2010, 2:00 p.m., in the 3rd Floor Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Shana Ellis
Councilmember Ben Arredondo

City Staff Present:

Jan Hort, City Clerk
Sue Taaffe, Comm Relations
Robert Yabes, Comm Dev
Jerry Hart, Financial Svcs
JymeSue McLaren, Comm Dev
Shelly Seyler, Eng
Jeff Kulaga, Asst. City Mgr
Amber Wakeman, Comm Relations

Carlos de Leon, Transportation
Dawn Coomer, Comm Dev
Tom Duensing, Financial Svcs
John Osgood, Pub Wks
Greg Jordan, Transportation
Shelley Hearn, Comm Relations
Shauna Warner, Neighborhood Admin

Guests Present:

Nancy Lesko, Daley Park
Ernest Nickels, Daley Park
Dan Abbott, Daley Park
John Farry, Metro
Chris Carr, Daley Park
Howard Steere, Metro
Marc Soronson, HDR Eng

Stephanie Shipp, Metro
Jayson Matthews, Transportation Commission
Judi Nelson, ASU
Catherine Mayorga, TCVB
Wulf Grote, Metro
David Strang, Transportation Commission
Charles Huellmantel, Transportation Commission

Vice Mayor Ellis, called the meeting to order at 2:05 p.m.

Agenda Item 1 – Public Appearances

Chris Carr stated that he lives in the Daley Park Neighborhood and thanked Councilmember's for the Streetscape Program. It will have a positive impact on traffic calming measures. Mr. Carr requested that the City fund the Daley Park street calming project. This project has taken three years and several traffic counts and test street configurations. Over 3,000 cars travel through this neighborhood daily. The safety of children is at stake because of the speed at which vehicles travel in this neighborhood. Tempe Police have advised neighborhood residents that reducing cut through traffic will reduce burglaries, which occur on average one per month.

Ernest Nichols, past president of Daley Park Neighborhood Association, stated that with the postponement of the Daley Park upgrades, traffic calming is even more important. People are leaving the park at 10 pm at night, and it creates traffic and safety issues.

Councilmember Arredondo asked Carlos de Leon how much money this project will cost the City. Mr. de Leon responded approximately \$360,000. Councilmember Arredondo asked staff to prepare options for Council consideration on ways to fund this project. Mr. de Leon stated that this project would be funded out of the Capital Improvement budget (CIP); however, there is a lack of bonding capacity which is essential to obtaining funding for CIP projects. Staff is in the process of preparing CIP budget priorities for Council consideration.

There will be an upcoming budget workshop scheduled for May 21 in which more information will be made available. John Osgood commented that by that time, staff will have a more accurate prediction of actual funding dollars for the CIP budget and will be prepared to reprioritize the CIP projects using remaining funds. This project might even be a candidate for the Maryanne Corder Neighborhood Grant Program.

Vice-Mayor Ellis told the neighborhood representatives that she and Councilmember Arredondo would take their desires into consideration and urged them to contact other Councilmember's regarding their request. Councilmember Arredondo voiced the importance of allocating budget monies to neighborhoods.

Agenda Item 2 – Tempe South Corridor Update

Dawn Coomer introduced Mark Soronson, a Metro consultant who gave an update on the Tempe South Corridor Study. In April, 2009, this study was brought before the City Council to discuss the various options for this project. At that meeting, two alternatives were advanced for further consideration: 1) bus rapid transit (BRT) along Rural Road; 2) modern streetcar on Mill Avenue. The modern streetcar is modeled after a Seattle system whereby there is a fixed guide-way electrified rail. This is a smaller vehicle than light rail that holds approximately 130 passengers (35 seated and 95 standing).

Over the past few months, Metro and Regional Public Transit Authority (RPTA) have updated the Lifecycle Program for buses because of a \$656 million budget shortfall. As part of that shortfall, Rural Road BRT was delayed beyond the 2026 funding scenario.

The study is now focusing on a 2.6 mile project starting at Rio Salado Parkway, south on Mill Avenue to Mill/Southern. Project costs are estimated to be \$160 million for this transit segment – a mixture of federal funding and public transportation sales tax funding. There would be no capital costs to this portion of the project to the City of Tempe. An extension to Southern/Rural with additional southbound transit on Rural is also being discussed.

The Federal Transit Administration (FTA) has begun to evaluate transit projects using criteria such as land use and providing economically competitive transportation choices, creating jobs and supporting inner city neighborhoods. In the past the major focus was cost effectiveness.

The modern streetcar analysis looks at ridership, land use, economic development, operating and maintenance costs and capital costs. There would be 9 stations with 10 minute frequencies with the same fare as bus fares. There could be minor realignments to the existing bus routes that operate on Mill Avenue to better integrate with the streetcar. It is anticipated that ridership would total between 1,100 – 1,600 passengers per day. This number does not include special events and land use changes. Within the densely populated study area there is a substantial amount of employers.

In light of the recent changes in federal evaluation criteria, looking at potential land use changes by evaluating redevelopment opportunities in the Mill Avenue corridor will be a component of this study. The economic benefit of this project has been evaluated to quantify the return on this public investment. Based on the findings of the cost benefit report included with the agenda packet, a positive return on the streetcar project has been estimated at 1.3. It will cost approximately \$1.3 million per mile to operate and maintain a streetcar, which would be the responsibility of the City of Tempe. This is a gross cost that does not include offsets for fares, additional revenues or changes to underlying transit networks.

Capital Funding options include Federal Highway Administration, FTA small start funding, public transportation funding (sales tax dollars), and federal stimulus funding. Improvement districts and parking revenues could be used to fund operations.

Several community groups have been approached to discuss an alternative alignment between University and Rio Salado Parkway and using Ash Avenue as an alternative to Mill Avenue. These alternatives were in response to public inquiry based on parking, congestion and construction impacts on Mill Avenue. No analysis has been conducted on the Ash Avenue alignment.

The preliminary recommendation for this project is for a Mill Avenue or Ash Avenue streetcar – operating for 2.6 miles from Rio Salado Parkway south to Mill/Southern. Further study for commuter rail makes sense in this corridor. Due to lack of funding, the Rural Road BRT has been postponed but is still a recommendation of the study.

Once a locally preferred transit alternative has been selected, a request for funding will be made to FTA so that the process can move forward to project development. After project development and before securing a project construction grant agreement, the FTA scrutinizes funding sources – making sure the local community is able to provide operating expenses and that the region can afford the capital expenses. Cost effectiveness, economic development and land use are also FTA areas of focus.

The public meeting process will continue throughout the summer months. A recommendation will then be brought to the City Council for consideration. After the City Council makes their decision, the proposal will then be brought to the Metro Board of Directors, then to the Maricopa Association of Governments Regional Council (MAG) prior to submitting an application to the FTA to advance this project. This should be occurring by early 2011.

Due to the complexity of transportation issues, Councilmember Arredondo requested that the Transportation Committee send a letter to the Mayor requesting that Vice-Mayor Ellis remain on this commission when the Mayor reforms the Council committee's after July 1. David Strang added that having continuity on this committee is crucial.

Vice-Mayor Ellis suggested that a resolution be prepared for Council consideration in support of this project due to the confusion within the community about funding and the process. JymeSue stated that staff could draft a resolution that outlines both transportation options, their status, and funding issues. The resolution can highlight prior council action and express support for all study recommendations moving forward. Including the public as we move forward is also important. Committee members also requested that staff clearly emphasize the fact that the capital costs associated with this project will have no budgetary impact upon Tempe's budget and that cuts to transit service are not related to advancing this study. Committee members requested an opportunity to review the draft resolution before it is considered by the entire council.

Agenda Item 3 – Draft Transit Fund Financial Balancing Plan

Carlos de Leon stated that staff is seeking feedback on the recommended financial strategy and fiscal year (FY10) actions. This plan was developed in conjunction with the Transportation Commission Ad Hoc Committee whose charge it was to analyze how to deal with a \$19 million structural deficit. Mr. de Leon acknowledged Jayson Matthews who served as the chair of the ad hoc committee.

The financial forecast indicates that costs exceed revenues and the Transit Fund is not sustainable in the long term. Assuming no additional major funding sources are provided to the Transit Fund and an economic recovery resulting in sales tax growth beginning in FY 11-12 occurs, it is anticipated that \$14 million to \$15 million in permanent cost reductions would be required over the next three years. Three general options, which drive how quickly the structural deficit is reduced (phasing options) have been identified and evaluated:

1. **Up Front Reduction Option.** This option would make a major structural deficit reduction in the first fiscal year and smaller amounts in future years (\$9.61 million in FY10-11, \$2.87 million in FY11-12 and \$1.64 million in FY12-13).
2. **Even Reduction Option.** This option would make even structural deficit reductions at approximately \$4.5 - \$4.9 million per year over the next three years.
3. **Delayed Reduction Option.** This option would make more significant structural deficit reductions toward the end of the three-year period (\$3.2 million in FY10-11, \$4.68 million in FY11-12 and \$6.24 million in FY12-13).

Additional Concepts for consideration include:

1. The first concept is to evaluate the use of any fund balance, in excess of a proposed 25% fund balance policy to partially pay down debt principal at the end of the three year period as shown in Figure 5. This concept would free up future debt service costs which could then be allocated to transit operations.
2. The second concept assumes that secondary property tax be used to pay Transit Fund debt service beginning after the three year period. In order to utilize secondary property tax, it is estimated that the secondary property tax rate would need to be increased by \$0.15 per \$100 of assessed valuation to service the debt. The increase would cover the remaining debt outstanding of the 2006 Variable Rate Demand Excise Tax Revenue Obligations into General Obligation bonds (\$52.3 million at the end of FY 12-13). Voter approval would be required for this transaction. Staff is not supportive of this concept due to the possible impact to the current CIP program which also relies on the secondary property taxes.
3. The third concept evaluates reserving budgeted debt service interest savings which can then only be used to partially pay down debt service principal in the future (estimated to be between \$5 million to \$7 million in principal reduction over the next three years). This cost reduction could then be allocated to transit operations.

Financial Strategy

The recommended financial strategy involves:

- Using approximately \$18.5 million in fund balance to help sustain operations and cover annual projected deficits over the next three fiscal years;
- Eliminating the structural deficit by phasing in annual recurring cost reductions and/or increased revenues by \$4.5 million in FY 10-11, \$4.7 million in FY 11-12, and \$4.9 million in FY 12-13;
- Using fund balance, in excess of the proposed 25% fund balance policy, to partially pay down debt principal at the end of the three year period;

This recommended strategy attempts to preserve transit services to the community while at the same time taking steps to return the Transit Fund toward financial sustainability by reducing the structural deficit over the next three years. In addition, an even phased approach provides greater flexibility for making adjustments to the structural deficit through the annual budget process based on the latest economic data. Lastly, this strategy is projected to provide adequate contingency (fund balance) to address uncertainties in future revenues or expenditure estimates.

In addition to the above financial strategy, it is recommended that the option of reserving budgeted debt service interest savings for partially paying down debt principal be considered in the future.

FY 10-11 Actions

For the upcoming fiscal year, the following actions are recommended to achieve a structural deficit reduction of \$4.5 million and to set the framework for future fiscal years:

- **Transit Service Reductions.** Due to the recent elimination of Local Transportation Assistance Funds (LTAF) and to provide a single coordinated bus system change for our customers, it is recommended that transit service reductions for FY10-11 be implemented in late summer/early fall with other Valley Metro bus service

changes. Additional details on potential transit service changes for the upcoming fiscal year and the public involvement process is provided in Attachment B.

- *Transit Service Contract.* Due to the anticipated regional and local service reductions in FY10-11 and the significant change from the original Viola contract, staff is recommending that the transit service contract be re-procured in the upcoming fiscal year.
- *Staffing and Other Reductions.*
 - *Staffing.* A staff working group from five departments (Public Works, Community Development, Community Relations, Police and Financial Services), which manage transit funded positions, was formed in February to evaluate Transit Fund staff resources and to develop a staffing plan to reduce personnel costs. The working group identified annual recurring personnel cost reductions of approximately \$1.7 million over the next two fiscal years. These reductions were forwarded to the City Manager for consideration. The reductions represent a 36% decrease from the projected \$4.6 million in personnel costs for FY10-11. In addition, the reductions are not contingent on transit service reductions unless complete elimination of major transit program components (e.g. Valley Metro, Orbit neighborhood circulator) is made. Additional details are provided in Attachment C.
 - *Transit Store Hours.* Reduce store hours with the least customer demand from Monday – Saturday, 7:30 a.m. – 5:30 p.m. to Monday – Friday, 8 a.m. – 5 p.m.
 - *Marketing Budget.* Reduce marketing costs by more than 60% by eliminating contracted advertising services, bringing those responsibilities in-house, and replacing more costly advertising media with lower cost marketing and outreach methods (e.g., social media) and more grass-roots, hands-on methods of reaching residents and target markets. Additional details are provided in Attachment D.
- *Bonds.* It is recommended that staff work with the City's financial advisor to closely monitor interest rates and convert the variable rate bonds to fixed rate bonds based on market conditions.
- *Additional Revenue.*
 - *Advertising.* Research, test and pursue potential revenue generation through allowing paid advertising at transit facilities (light rail stations, bus shelter and buses). Information on the paid advertising concept is provided in Attachment D.
 - *Orbit Fares.* Public input obtained during fall 2009 and spring 2010 public involvement processes indicates moderate support for an Orbit fare if it means preserving service. It is recommended that staff work with the Transportation Commission and Council Transportation Committee during FY 10-11 to fully evaluate orbit fare policy alternatives and impacts. Staff will present options and seek City Council direction during the FY11-12 budget process.
- *Planning.*
 - *Tempe South Corridor Study Financial Concepts.* Initiate the process to identify and evaluate potential funding and revenue concepts to support Tempe South Corridor operating costs, which are anticipated to start in FY 2016. The development of funding assumptions (redundant/duplicative bus service reductions, new revenues and system design issues such as station spacing), will be closely coordinated with the overall process for the Tempe South Corridor Study. After selection of a alignment and transit technology for advancement, system engineering and design will follow, which will result in detailed design, cost estimates (capital and operating),

funding sources (capital and operating), and potential environmental impacts. This process will begin in winter 2010 and continue for approximately two years. As project engineering progresses and details are clarified, the financial plan will become more refined.

Vice-Mayor Ellis asked staff to prepare documentation regarding the recommendation to rebid the transit services contract and to share that with her Council colleagues during the upcoming budget workshop. Vice-Mayor Ellis also asked staff to prepare data based on the impact of implementing a fee for the transit pass for employees and comparing that data to ASU student data. A concern raised by the Vice-Mayor was that instituting a fee for a transit pass that is currently free to employees could result in employees driving their vehicles more and using parking spaces instead of using their free transit option. Councilmember Arredondo stated that a \$10 fee per pay period for an employee transit pass is not acceptable to him and stated that continuing education on transit options need to take place. Mr. de Leon stated that staff will remove this budget cutting item and study it further.

Mr. de Leon asked committee members whether or not they were supportive of charging a conference room rental fee for the Transit Center Don Cassano Room. Staff was asked to prepare a fee structure for Council consideration.

In terms of organizational structure, Mr. de Leon stated some of the transportation staff is funded by the Highway User Revenue Funds (HURF), which complicates the changes in the transit fund organizational structure over time. Staff was asked to return with a simplified explanation of present and proposed transit organizational structure.

Agenda Item 4 – Transit Service Changes Update

Since the bus service changes have been incorporated into the regional process, those changes have been delayed. Greg Jordan stated that Tempe's target budget reduction was \$3.5 million for transit services for the upcoming fiscal year. Staff initially identified approximately \$10.2 million in potential savings due to the modification of frequency and hours of operation. Public feedback has been incorporated into the service cut decision making process. Currently, there has been \$1.7 million in internal cost savings (or additional revenue) and \$2.6 million in service cut options.

The implications for the City's transit service contract remain uncertain because the budget reductions have not been made yet. Furthermore, the regional budgets are yet to be determined and how that will impact Tempe. Staff anticipates that by June those budget cuts will make Tempe's transit budget more manageable in terms of refining the budget numbers. Staff is also working with the transit provider in order to minimize the service reductions already in place.

Residents were asked to participate in a transit impact survey. There was a stakeholder outreach process whereby staff met with Tempe boards and commissions, neighborhood associations, school districts, Friendship Village, etc. There were four advertised public meetings and Metro held two additional meetings. Surveys were also available on-line. Staff received 393 completed surveys during round one, 421 during round two.

The removal of the Local Transportation Assistance Fund has severely impacted neighboring cities disproportionately to Tempe. Because regional transportation among jurisdictions affects Tempe, staff has joined the regional process which concludes at the end May. After that process has been completed, an evaluation of feedback will ensue and recommendations will be presented to this committee in June.

No service reductions have been included in Route 72 in the local process; however Scottsdale and Chandler have proposed changes to those routes. Staff will try to maximize service on this route, but coordination of schedules needs to take place to at the northern and southern boundaries of Tempe.

Orbit service changes do not impact the region and vice versa.

Staff is scheduled to go before the Transportation Commission on June 8, the City Council on June 24 and the targeted transit service implementation date is July 26.

Agenda Item 5 – Proposed Light Rail Service Changes

Greg Jordan stated that staff is seeking Committee direction on the proposed light rail service reductions:

- Reduce peak service frequency from 10 to 12 minutes.
- Reduce peak service by 2 hours (1 ½ hours in the a.m. and ½ hour in the p.m.) from 6 a.m. to 7 p.m. to 7:30 a.m. to 6:30 p.m.
- Implementation of holiday service levels to five additional days.

The proposed light rail changes achieve an approximate \$200,000 savings to Tempe's program, which is 6% of the \$3.5 million target. The Transportation Commission approved the peak service frequency proposal but was not in favor of reducing peak service hours as presented above (the commission was supportive of a peak service reduction of 2 hours, just not as proposed). The commission did not review the holiday proposal. Metro and staff are supportive of all three recommendations. Mr. Jordan noted that the data being presented at this meeting was not available in time to present to the Transportation Commission. Staff will be making a presentation to the City Council on May 6 regarding these options.

Councilmember Arredondo praised staff for their diligence in finding ways to cut service and keep to minimizing the adverse impacts to customers. Councilmember Arredondo commented that it would be advantageous to have representatives of the Transportation Commission at the upcoming presentation to Council.

Agenda Item 6 – Transportation Fund (HURF) Update

Carlos de Leon reported that HURF funds are used for operations and maintenance activities along City roadway and right-of-way, such as street repair and preservation, graffiti removal, alley maintenance, sidewalk repair, traffic signal maintenance and construction, street light maintenance and roadway signing and striping.

Funding is derived primarily from the vehicle registration fees and fuel tax and distributed by population. Because of the reduced HURF revenues combined with the elimination of the Local Transportation Assistance Funds (lottery proceeds), the financial forecast projects a \$2.8 million structural deficit over the next three years. 58 staff positions are currently funded by HURF. If no steps are taken to close this structural deficit, the fund will be depleted in two years, FY 12/13. State law requires that the HURF funds be matched with city general funds, which amounts to approximately \$750,000 annually.

The single highest use of the fund is personnel services, which amounts to approximately \$5 million annually. The debt service for this fund is \$2.7 million to repay bonds for various transit projects. The limited capacity of the secondary property tax does not allow the debt service to be shifted and help reduce the structural deficit. Fees and services total approximately \$2.5 million annually with street lighting costs at \$1.8 million annually. Indirect services and charges totals \$2.5 million annually.

Staff is recommending the following tentative budget reduction measures:

- \$1.5 million in operating expenses, FY 10/11
- \$1 million in operating expenses, FY 11/12
- \$.6 million in operating expenses, FY 12/13

With these measures, the fund balance in FY 12/13 would be \$6.3 million. This calculation assumes no additional adverse financial impacts to the HURF fund.

Agenda Item 7 High-Intensity Activated Crosswalk (HAWK) Update

Shelley Seyler reported that on March 2, HAWK beacon signals were activated at Rural Road and McClintock Drive at the Western Canal Multi-use Path. Public feedback has been positive, however a few drivers have expressed confusion on what the toggling red lights mean.

Tucson, Peoria, Phoenix and Scottsdale use the HAWK system and have created outreach programs to educate residents on what the HAWK signals mean. Staff has also embarked on an educational campaign regarding HAWK signals and is considering targeting daily drivers that specifically utilize Rural Road and McClintock Drive. Additional signage is being considered on the mastarms at both locations to inform drivers of the correct operation during the toggling red signals.

Staff will continue to monitor these devices and how that impacts traffic flow. An accident analysis will be conducted one year after the activation date. Vice-Mayor Ellis suggested that the name of the street be included in any signage enhancements.

Jerry Hart asked if there are any plans to do additional HAWK installations in Tempe. Ms. Seyler responded that staff is taking a conservative approach so that these signals can be evaluated for effectiveness, combined with the fact that the Capital Improvement Program funding is limited. These units cost between \$100,000 - \$150,000. To date, there have been no accidents related to this new signal system.

Agenda Item 8 – Future Agenda Items

CIP budget prioritization
Transit organizational structure
Bus service changes
Tempe South Corridor Update (tentative)

Agenda Item 9 – Future Meeting Date(s)

June 15, 2010, 3 p.m. - tentative

Agenda Item 10 – Announcements

Meeting adjourned at 3:55 p.m.

Prepared by: Kay Savard
Reviewed by: Carlos de Leon

Jan Hort
City Clerk